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## The Recovery of the Grain Farmer

By CHARLES MOREAU HARGER

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AS a factor in the readjustment period of the country the position of the grain farmer is of prime importance. Especially in peace time, when no artificial stimulus is given to industrial affairs, is the relation between the nation's business and its producers of raw materials intimate. This is not only because foodstuff production comes close to the interests of the consuming public, but also because it gives rise to a vast demand. The most powerful source of buying power in the American market lies in the operators of some seven million farms. Their demand is reflected in the industrial and financial worlds and indirectly touches workers of every class.

### DISTORTED PICTURES OF THE FARMER'S POSITION

No very clear picture of the actual position of the producer of foodstuffs, especially of the farmer of the interior states which furnish the bulk of our grain output, is visualized by the public. Between exuberant laudation by the booster and depressing description of hardships in meeting costs and living expenses by some political leaders, a confused estimate naturally results.

In any consideration of the rapid deflation of prices affecting agricultural products in the past year, it is easy to assume that the American farmer has fallen from a heretofore permanent high level of prosperity. The fact is that the producer in the pre-war period earned by strenuous effort whatever he achieved. Surveys undertaken in strictly agricultural sections showed returns of less than four per cent on the investment after allowing for the ex-

penses of the farmer's family. He advanced by small percentages of profit on his labor, added to it a constant increment of value in his land and as a whole accumulated assets that were expressed in bank accounts and material possessions. Signs of progress were manifest in improvement of farms and development of communities dependent largely upon them.

War times brought a sudden expansion of income. From late in 1914 until the autumn of 1920 were the most prosperous six years in the farming history of this generation. Everything the producer had to sell was in demand at the highest prices he had ever known. He was raised to a new and higher level of prosperity.

### PRODUCTION UNDER WAR CONDITIONS

The same land upon which lower-priced commodities had been raised gave a larger return; practically the same equipment was used. The one factor that increased in cost was labor, but in these days of labor-saving implements and machinery, most farmers carry on the greater part of their operations with a minimum of outside assistance. While our armies were in the training camps and field, the home labor supply was lessened but often the work went on with little embarrassment. Living expenses for the family grew, but not necessarily in the proportion to that of the salaried classes of the towns and cities. The farmer's table is largely supplied from his own vine and fig tree.

The producer, however, found many reasons for complaint. He resented the regulation of wheat prices to approximately two dollars a bushel at

market centers. He felt that high wages in government work caused him to pay too much for his employees. Nevertheless, throughout this period he was in a position to make a favorable net income.

#### EXPANSION OF PURCHASES

Like others, the farmer felt the impetus of abundant current resources. As one put it at a banker-farmer conference in Iowa last autumn, "We went in through the gate of extravagance and we must come out through the portals of economy."

Drive through the agricultural states of the interior. See the new houses, the silos, the barns and other equipment. Motors cars flourish by the thousand in every county, averaging one to every seven persons in a half dozen leading states. And all of them are in operation every day. The country people bought Liberty bonds to their full quota. One county out in central Kansas may serve as an example. It has 26,000 population, no large industries and no town as large as 5,000. This county boasts 5,700 motor cars; it bought \$3,500,000 of Liberty bonds and gave \$200,000 to war activities; in the autumn of 1920 it had over \$3,000,000 on deposit in twenty-two banks.

#### OTHER FORMS OF EXPANSION

Expansion took other forms. The farmer went into business. He not only invested in oil stocks, which proved expensive speculation, but he also placed money in coöperative stores, elevators and mills; he bought stock in the local bank; he helped promote ambitious schemes for establishing packing houses, flour mills, insurance companies, implement factories, and similar concerns which were to revolutionize industry, pay large dividends and prove a nemesis to the

alleged machinations of Wall Street. Frequently the history of these concerns ended with the disposition of stock, but whether or not they managed to survive for a time, the funds invested were so much taken from the surplus which might well have served for a rainy day.

#### WHEN THE DROP CAME

Then something happened. In the latter months of 1920 a great part of the price advance in the farmer's products vanished. A few figures of the prices paid in the leading Middle West market tell the story:

	Dec. 1, 1915	Highest War Price	Dec. 1, 1920
Cattle	9.25	25.25	11.00
Hogs	6.60	23.40	9.90
Wheat	1.10	3.42	1.80
Corn	.64	2.40	.75
Oats	.42	1.22	.47

By midsummer of 1921, prices of farm products were down to the level of December 1, 1915, and in instances even below, while retail prices took a much more deliberate decline. Going back to buying power this is what had happened: While in 1915 twenty bushels of corn would buy a ton of pig iron, in 1921 it took forty-five bushels of corn to buy a ton of pig iron. Something similar existed with regard to most of the commodities the producer was compelled to purchase. Stunned by the turn in events and holding his wheat from the autumn of 1920 when it could have been sold for \$2.40 to \$2.65 a bushel until the following spring when it had dropped to approximately \$1.00 a bushel—completely upsetting the advice that it would go to \$3.00 a bushel if he stood firm—the grain farmer indulged in a so-called "buyer's strike" that inflicted a paralysis on trade and gave to the manufacturer a struggle for existence.

### NEW IMPETUS TO COÖPERATIVE SELLING AND CONTROL OF MARKETING

Out of his experience a new idea has come to the producer. Part of it resulted from the education of wartime with its insistence on computations to determine on what price-fixing orders should be based; part of it came from the contemplation of the "spread" between raw materials and finished product when deflation arrived. He is trying to find out just what it costs him to raise his grain, and at what price he can afford to market it with a fair profit that will cover his own labor and interest on his investment. Admittedly this is a difficult task. Conditions vary with soil, management and other influences, but the farmer is convinced that he is not securing from his output a return to which he is entitled. Based on this idea is much of the agitation in favor of coöperative grain selling, the establishment of warehouses owned by farmers and such readjustment of business methods as will give him control of marketing operations. These are now the most prominent in his thoughts, and organizations having for their object such methods are meeting with favor.

### FROZEN CREDITS

The interior banker looks at conditions from another angle. He has been experiencing a period of congealed credits, largely as a result of the farmer's determination to hold his grain for higher prices and his consequent indisposition to buy commodities when prices failed to meet his expectations and hopes. Not only were the bank's ordinary resources tied up by the situation but it was common for the institution to borrow on its own account from the Federal Reserve Bank or from its correspondents, funds to enable it to care for its business. Deposits de-

clined but loans were not liquidated except under pressure—and this the banker was reluctant to exert.

### LIQUIDATION UNDER WAY

The grain farmer entered on the 1921 harvest with two unfavorable factors—one material and the other psychological. He had borrowed heavily to maintain his operations while holding grain and he was convinced that he had suffered too severely in the deflation process. Out of his new crop he could hope for little more than forty per cent of last year's figures. He must prepare to seed the crop of 1922 and provide for his expenses until its garnering. One reaction was apparent: In the first weeks after harvest there was a disposition to hurry the grain to market. The recollection of the advice of the previous autumn to hold wheat was an impetus toward this action. Not only did he sell the just gathered bushels but he also cleaned his bins of year-old grain that had been stored. Whether this tendency is to be continued through the autumn and the crop is to go to market faster than normally is uncertain. It is likely that after the first pressing needs have been met more moderation will follow. However, the financial situation of the grain country has gained a positive benefit from the change in the producer's attitude and many a bank thereby will be enabled to clean up some of its rediscounts and borrowings and be placed in a position where it can care for the winter's needs of customers with less strain on its resources. For this the banks have been waiting and they will gain in courage and easier credit if the process is sufficiently extended.

All this does not, of course, mean that the grain farmer is immediately placed in a position of financial ability.

He has yet the problem of obligations incurred, including a heavy real estate indebtedness growing out of land speculation at high prices. This must be worked out under conditions far dissimilar to those of the half decade past. Primarily, the solution depends on the reduction of prices for commodities he is compelled to buy to the market level of those he has to sell.

#### FACTORS ON WHICH THE RECOVERY OF THE GRAIN FARMER DEPEND

In some lines the purchase point has been reached, but by no means in all. The farmer generally believes that as a whole he is yet at a disadvantage and he has not wholly given up the state of mind into which he was plunged by the events of the past nine months. Until he does, he is likely to maintain an aloofness toward purchasing even the most ordinary commodities beyond absolute necessities. This reacts upon trade and makes the readjustment of retail business more difficult.

However, just as he made his larger income on the same farm that gave him his pre-war livelihood, so is that same farm still his stock in business. Generally it is improved beyond its former condition, and he has learned labor-saving methods that should inure to a lower cost of production. Three elements must enter into his recovery. One is the "portal of economy" to which the Iowa man referred; another is the adoption of scientific methods that will add to the stability of production. The third is a changed attitude toward business as a whole and an acceptance of the unity of all the nation's undertakings. Along with these go better marketing systems and such foreign trade that there may be a market for his surplus and the maintenance of prices.

#### SELF-HELP AND COMPLETE RECOVERY

Not all these can be accomplished in a day or a month, or perhaps in a year. It is the opinion of students of financial affairs in the farm country that it may take more than another season before there will be such readjustment of agricultural conditions as will reestablish normal relations. The encouraging feature is that the producer has undertaken to do things for himself and is less inclined than before to depend on having things done for him either by legislation or by financial transformations.

That this attitude of self-help is essential to his progress is clear. It is possible that not all the dreams of a nation-wide grain marketing organization will come true, that coöperation in buying or selling may fail to render all the benefits promised by enthusiastic advocates. But the very fact that the grain farmer is thinking along constructive lines and that he is endeavoring so to guide his course as to place his affairs on a business basis and eliminate to the greatest degree possible the element of guesswork, gives basis for optimism.

Despite occasional gloomy presentations of the condition of farmers as a class, the individual producer seldom exhibits other than a fine courage and an implicit confidence in eventual success. He admits that he has made mistakes of judgment; he feels that he was a victim of circumstances in the process of deflation, but is convinced that he defended his position to the best of his ability—whatever may have been the effect on those dependent on his action. He has gained out of the experience faith in his own powers and he seeks to make them felt for his own good. It is possible that there may be a political movement, dominated by the agrarian element, with which the agri-

cultural states will have to reckon, but this depends largely on how sympathetically and intelligently business interests as a whole deal with the situation.

**THE FARMER IS NOT BANKRUPT BUT  
IS BETTER EQUIPPED THAN A YEAR  
AGO**

The intrinsic wealth of the soil is still the heritage of the grain farmer. Sun and rain will give their bounty. The constant need of foodstuffs prevails. Out of a strained financial situation has come a broader understanding between the banker and his customers, with a larger faith in one another. With the first harvest of the new era past and its effects serving to loosen the financial tension, affairs in the farm country are becoming settled. Progress may be slow but every month

brings nearer the establishment of stability. The farmer is not bankrupt nor is he going to be; he is doing his full part with the clearest vision he can command to attain a full measure of betterment. He should be given credit for earnest effort and fair intent. Basically he is better equipped today than a year ago, for he has passed through the period of readjustment and henceforth will be on sounder footing. And that, after all, is the condition that every class of business must reach before it can go forward safely. The farmer took the plunge first, and logically he should be first to see clearly his way ahead. That he has rounded the turn in his path is the belief of those most familiar with his affairs; henceforth he should steadily gain in faith and works.

## The Way Out for Cotton Growers

By W. ARTHUR SHELTON

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**T**HE general decline in prices during the past twelve months probably inflicted severer losses on cotton growers than on any other class of farmers or on any other economic group in the United States. From June, 1920 to June, 1921, the spot price of middling upland cotton declined from 43 cents a pound to 10 cents. The larger part of the decline occurred from August to December, after the cost of the crop had been largely incurred and before any considerable portion of it had been marketed. A large part of the expense of the crop had been met by credit instead of cash, and the proceeds of the crop have amounted to far less than the cost.

### THE RESULTS OF PRICE MALADJUSTMENT

The market became so demoralized that if growers had generally attempted to sell the crop as fast as ginned, the price would have been so low as to have made it impossible to settle any considerable part of the obligations to creditors. Bank loans were restricted so generally that only a small amount of borrowing on cotton was possible. Growers met the conditions by selling somewhat less than the usual amount of cotton during the ginning period, by asking creditors for supplies to extend the term of credit, and by ceasing to purchase anything that could be dis-